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Romania

Livestock and Poultry

Meat and Poultry Meat Update

1999

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Report Highlights: Romanian 1999 red meat and poultry meat output dropped, primarily because of a reduction of livestock and poultry inventories. Romania is an importer of poultry meat and pork because of insufficient domestic production. The U.S. is the second largest supplier of poultry meat to Romania. In CY1999, the U.S. will supply about 3,000 metric tons of poultry meat, a sharp decline compared to 1998 when the U.S. supplied about 17,000 metric tons of poultry meat. This significant reduction is the result of the government of Romania's (GOR) introduction of a reference import prices for meat and poultry in August 1998.

Includes PSD changes: No
Includes Trade Matrix: No
Unscheduled Report
Bucharest[RO1], RO

Demand

The demand for meat in Romania remains low because of the continued reduction of purchasing power of most consumers. Domestic livestock and poultry inventories dropped dramatically after 1990. The overall reduction of all livestock and poultry numbers between 1989 and 1999 is 30-50 percent. This led to a severe contraction of domestic meat and poultry meat output. The difficult situation in the livestock and poultry sectors is also negatively impacted by the restructuring and privatization policy of the GOR at present. Many livestock and poultry operations are unable to repay outstanding debt because of high interest rates and are forced to reduce their output or to go bankrupt.

Because of the continued reduction in the purchasing power, consumers are very price sensitive and prefer to buy especially low priced cuts - whether fresh, chilled or frozen. Most of the meat/poultry sold is through butchers or via small grocery stores. The larger supermarkets or outlets such as Metro Cash and Carry are frequented only by the most affluent.

AgOffice Bucharest estimates that the 1999 per capita consumption of meat (including poultry) will be about 35 kilogram. This is a reduction from 1998 when per capita consumption of meat was 38.4 kg/head and a further drop from 1991 when consumption was 54.4 kg/person. Traditionally, about 50 percent of the meat consumed in Romania is pork, followed by beef, poultry and mutton. This pattern will remain unchanged during the next several years.

Based on AgOffice Bucharest projections, domestic demand for meat will remain low over the next several years because of the difficult economic situation and low income (\$100/month). A recent study revealed that about 78 percent of the average diet of Romanians is of vegetables.

Supply

Domestic CY1999 meat production will continue to drop vis-a-vis 1998. According to preliminary estimates, 1999 pork production will total about 250,000 metric tons (1998 - 323,000 metric tons), beef production is estimated at 188,000 metric tons (1998 - 222,000 metric tons) while poultry meat will drop to about 68,000 metric tons (1998 - 73,000 metric tons). Domestic meat production will continue to drop in CY2000, but the overall reduction will be smaller. The quality of domestic meat is below imported products because of inadequate livestock feed.

Current average retail prices for meat and poultry are as following (in USDollars per kilogram):

- broiler:	\$1.65-2.00
- chicken leg quarters:	\$2.05-2.10
- chicken breast, deboned	\$2.50 -2.60
- pork, deboned	\$2.20-2.50
- beef, tenderloin	\$3.60-3.80

Source: AgBucharest survey

Exchange Rate: USDollar=RLLei 18,000

Trade

Because of reduced domestic supplies, Romania imports poultry, pork and some beef. For CY99, AgOffice Bucharest estimates that Romania will import about 10,000 metric tons of pork (1998 - 29,000 metric tons), 10,000 metric tons of poultry meat (1998 - 66,000 metric tons) and 1,000 metric tons of beef (1998 - 1,000 metric tons). The main suppliers of various types of meat to Romania are Hungary (25 percent of all pork and 55 percent of all poultry) and Moldova (about 80 percent of all beef).

Import Policy

The dramatic decrease in Romanian 1999 poultry and pork imports are due to the introduction in August 1998 of reference import prices for meat, in an attempt to combat fraud and customs under invoicing but also to raise more revenues to the budget. These reference prices (\$1,100-1,500/metric ton for poultry and \$1,300-2,000/metric ton for pork) represent a major non-trade barrier. These prices have not been revised since August 1998, although world prices, especially for poultry meat dropped significantly.

The United States government has made repeated appeals to the GOR to drop the reference price system because it is inconsistent with the WTO agreement on customs valuation which specifies that import duties should be based on the actual value of the product. Until now, GOR officials defended the reference price regulation stating that it was necessary in order to combat fraud and customs under invoicing of meat imports. At the same time, Romanian officials have stated clearly that this regulation is also aimed at protecting Romanian meat and poultry producers against subsidized imports. Although most Romanian meat importers comply with the provision of this regulation, they are not reimbursed for their guarantee deposit which they must pay in order to clear their imports through customs.

This reference price system has seriously impacted United States' exports of poultry meat to Romania. In CY1999, US poultry exports are preliminary estimated to drop to about 3,000 metric tons, as compared to 17,000 metric tons in 1998. Most of Romanian meat and poultry imports are made by trading companies who also act as distributors. They usually buy single container loads because they lack financial resources to order larger quantities.

Vet Policy and EU Accession

Romania is in the process of harmonizing its veterinary requirements with those of the European Union. However, since Romania was invited to start membership negotiations with the EU in February 2000, we estimate that given its reduced economic development, it will not become a EU member before the year 2010. Until then, we estimate that Romania will continue to buy significant quantities of meat and poultry meat from non-EU countries, including United States.

Import Duties

The 1999 import duties for Romanian meat and poultry meat imports are as following:

HTS Code	Item	General Duty (%)	CEFTA Duty (%)
0201/0202	Beef, fresh, chilled, frozen	40	25
0203	Pork, fresh, chilled, frozen	60	25
0206	Edible offals (beef, pork), fresh, chilled, frozen	40	0
0207	Poultry meat, including edible offals, fresh, chilled, frozen	60	28

The lower duties offered to other members of CEFTA (to which Romania is a member) explain why Hungary is the main supplier of poultry meat to Romania. According to trade sources, the CY2000 import duties, to be announced soon, will show some incremental reductions of Romanian import duties.

AgOffice Bucharest estimates that the best U.S. trade opportunities in Romania will continue to be lower priced meats, especially poultry leg quarters and variety meats, because of the reduced purchasing power of most consumers.

Romanian importers of meat and poultry meat

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